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SUBJECT: UPPER HOUSE ELECTIONS: A VOTER REVOLT IN
WESTERN JAPAN

¶1. (SBU) SUMMARY: Voters in western Japan lashed out at the ruling LDP coalition in last weekend's Upper House elections. This anger stems from several factors, including resentment of the LDP's tax policies, especially a number of governmental blunders that increased the tax burden of traditional LDP supporters prior to the elections. The LDP was also hurt by Prime Minister Shinzo Abe's inadequate explanation of his economic reform agenda. Seeking change, conservative voters turned to young opposition candidates who often lacked negative political baggage. Several politicians who were expelled from the LDP for opposing former PM Koizumi's postal reforms staged their revenge on the coalition, greatly diminishing the influence of several party heavyweights in the district. Finally, the opposition ran a smart campaign that drove deep into traditionally solid LDP territory. END SUMMARY

IT'S THE ECONOMY, STUPID

¶2. (SBU) In both rural and urban areas of our district, it was economics, largely tax issues, that caused such fury among voters and did in the Liberal Democratic Party (LDP) in Upper House elections on July 29. Elderly farmers, always reliable LDP voters, were already angry over encroachments on their protected status after former PM Koizumi's economic liberalization programs. But SMEs and merchant associations also reported to us in Osaka, Nara and Okayama that they were fed up with LDP tax policies, so they did not vote for the LDP. Importantly, they stated that they may continue to withhold support for the LDP, depending on the party's future tax policies. It was the end of popular tax breaks, the increase in local taxes, the rise in pension premiums and, lastly, the infamous pension payment fiasco, most of it unfortunately occurring close to the elections, that created the perfect storm of a taxpayer's revolt against the ruling party.

¶3. (SBU) According to local media reports and conversations with econoff after the elections, Osakan corporations and large business organizations have begun asking politicians from the LDP and the DPJ to work together in a cooperative and practical manner so that important economic reforms are not derailed. Priority issues for these organizations are structural reform, tax reform, a reduction in government spending,

public pension reform, and a restoration of the public's trust by stamping out political money scandals. Although large companies are disappointed by the LDP's historic defeat, executives were not exactly surprised. According to one interlocutor, PM Abe's economic policies have been unclear from the beginning, and thus difficult for the general public to support.

YOUNG NEOPHYTES TRIUMPHED IN CONSERVATIVE DISTRICTS

14. (SBU) Six out of our thirteen single seat district races were won by young political neophytes from the opposition Democratic Party of Japan (DPJ) and People's New Party (PNP) in Kagawa, Kochi, Okayama, Shimane, Ehime, and Toyama. These are among the most historically solid conservative regions of our district. Kochi was a toss-up until the end, but it was still surprising to see the LDP completely lose the island of Shikoku for the first time in the party's existence. In addition, 32-year old Satoshi Umemura, a political newcomer running on the DPJ ticket in Osaka, was the top vote-getter in the entire country. The single seat matchups were inevitably between a very old LDP incumbent and a youthful opposition contender - not exactly good optics for the ruling coalition. Conservative and elderly voters sought change in western Japan. Although this backlash and search for policy change could be a statistical blip, it could also turn out to be the beginning of the end of the so-called rural "conservative kingdoms" of western Japan.

15. (SBU) Traditionally, the Communist or Socialist parties have been the beneficiaries of voter backlash

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against the ruling party in the Kansai. This time, our interlocutors tell us the DPJ positioned itself to capture those disenfranchised voters, both unaffiliated voters and card-carrying LDP members. Compounding the difficulty of the LDP to carry the smaller towns and agricultural centers, its junior partner Komeito party is weaker in these areas, which made it difficult for Komeito to bring out its support network to offset this disenchantment.

POSTAL REVENGE

16. (SBU) Victorious candidates Yoshihiro Kawakami in Tottori, Akiko Kamei in Shimane, and Yumiko Himei in Okayama all were part of the latest act in the postal rebel drama of the 2005 Lower House elections. None of their victories would have been conceivable without the LDP status quo being stirred up by Koizumi's postal privatization campaign two years ago. Kawakami was a former postal rebel, expelled from the LDP for opposing PM Koizumi's postal reforms. He used his extensive experience and networks to overtake the stalled LDP incumbent as a newly minted DPJ politician. Kamei is the daughter of the Secretary General of the PNP, which was founded by prominent postal rebels. Supporters of former METI Minister and postal rebel Takeo Hiranuma defected to the DPJ's Himei despite Hiranuma's stated support for the LDP candidate, Toranosuke Katayama, the number two LDP officer in the Upper House. Shockingly, the veteran Katayama lost his seat in the biggest upset of the elections.

DONS DIMINISHED

17. (SBU) Mikio Aoki of Shimane (the leader of the LDP caucus in the Upper House) and LDP Secretary General Hidenao Nakagawa of Hiroshima have announced they will step down from their party posts in order to take

responsibility for the LDP blowout. Taken together with Katayama's sudden departure from the political scene, these elections diminished the influence of several of western Japan's most powerful LDP politicians.

THE OPPOSITION'S VIRAL MARKETING

18. (SBU) DPJ Chief Ozawa started on the campaign trail in support of DPJ candidates not in trendy Tokyo, like PM Abe, but in an economically blighted rural community in Okayama. The voters there felt as though they had been ignored by Katayama, according to one local observer. Those voters remembered Ozawa's gesture, and they came through for him in supporting his candidate, the young Himei. Another DPJ leader in Okayama, Satsuki Eda, made clever use of the candidates' names ("Himei" includes the Chinese character for "princess" and Katayama's first name includes the character for "tiger") in order to create an election battle between a princess and a tiger that sounded more like Chinese mythology than a calculated campaign. The DPJ grabbed the voters' attention and created buzz in rural Okayama. (Note: The princess appellation even spread north to neighboring Shimane, where Kamei capitalized on her own "royal" lineage as a direct descendent of local feudal lords. End note) Katayama apparently seldom campaigned in his own prefecture and was caught by surprise at his poor polling numbers too late to counteract this insurgency.

COMMENT

19. (SBU) Farming communities and small cities in western Japan are traditional bastions of LDP strength. However, the LDP's overconfidence, as witnessed by Katayama's campaign, its numerous gaffes, money scandals and its missed opportunities to explain the need for painful change in order to reform rural Japan's moribund economy, worked to hand victory to the opposition in the Japanese hinterland. The DPJ discovered and exploited the

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weak underbelly of a governing party that had grown complacent. It may have been a fortuitous combination of strategy and serendipity, but the DPJ and PNP found themselves well-positioned to capitalize on growing voter angst.

KINGMAN